

China New Mobility Study  
2015

BAIN & COMPANY 





## Executive summary

Car owners in China's mega-cities are rethinking the value of car ownership. As rapid urbanization transforms China's urban mobility landscape, car owners are increasingly forced to contend with deteriorating driving conditions and tighter regulations, making car ownership in these large urban areas more expensive and less convenient and safe—hence, less attractive.

At the same time, major infrastructure investment has made public transportation more accessible and convenient, while new mobility services and solutions like car sharing are being introduced—although still unfamiliar to many Chinese consumers.

According to a survey of car owners from six Tier-1 and Tier-2 cities in China, select segments would consider giving up their cars if conditions continue to decline. Respondents identified trends like deteriorating driving conditions and tighter regulations as detracting from car ownership. They also cited improved public transportation, taxi availability, car rental accessibility and the emergence of new mobility solutions as contributing factors in their willingness to give up their cars.

Whereas many Chinese still associate car ownership with status, cars are losing their appeal as a status symbol in most segments in China's mega-cities. What China's urban consumers today value most is safe, on-time, flexible and reliable mobility.

In addition, Chinese consumers cite traffic congestion and higher gasoline prices as major factors that would prevent them from owning or buying a car. If traffic conditions continue to deteriorate significantly or gas prices increase sharply, 10% to 30% of current car owners say they would consider giving up their cars.

Chinese show a keen interest in using public transportation and in new mobility solutions tailored to local needs. A strong follow-up on the public's stated determination to use car rentals, car sharing and public transportation will remain an important factor in the development of new mobility solutions.

We have identified six customer segments with different needs and behaviors that run the gamut from those least to those most interested in using new mobility solutions. Among these, Status Seekers, Smart Travelers and Switchers expressed the greatest interest in new mobility, while Economic Travelers, the Car Averse and Convenience-focused expressed the least interest in new solutions such as car sharing and rental models.

Changing trends in China's urban mobility present a challenge for creating new mobility solutions while also protecting China's automotive business. To protect core automotive business,

OEMs will partner with local governments to seek solutions to urbanization problems of traffic congestion and emissions, set up loyalty programs targeted at segments most “at risk,” and propose more flexible solutions, such as leasing, to attract new customers.

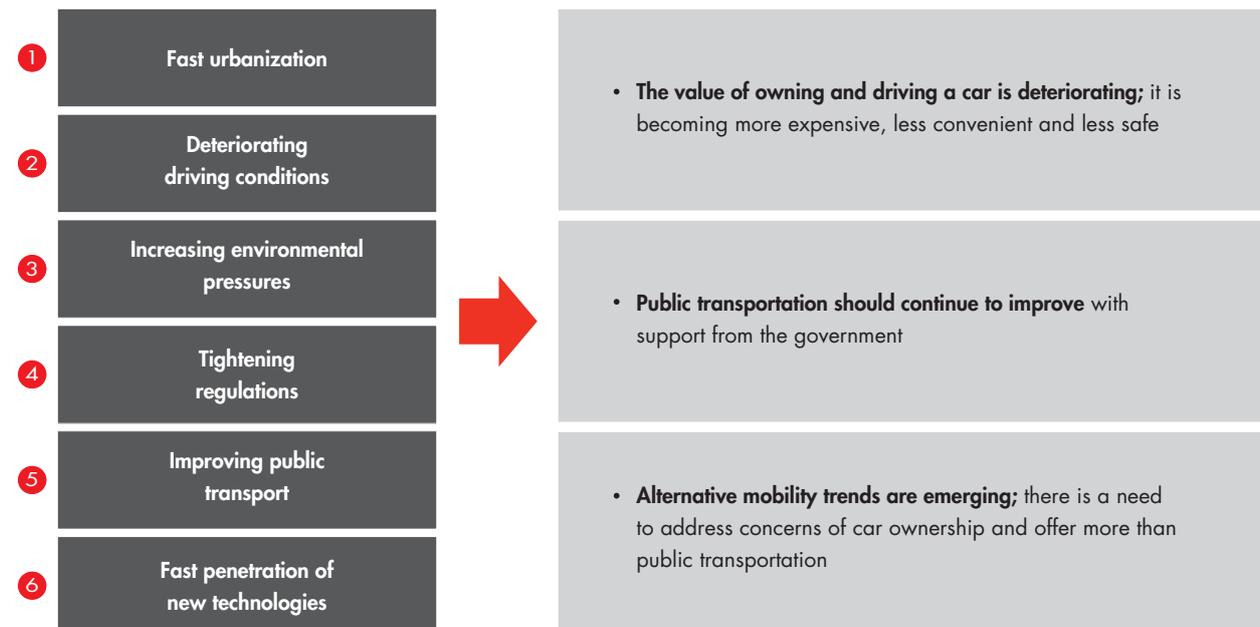
China also offers OEMs a unique opportunity to develop mobility solutions tailored specifically to China’s situation. Services like car sharing will need to meet Chinese customer needs for safety and flexibility, to integrate local infrastructure constraints like parking, and to compete with low-cost taxis and public transport. Success will require major changes from concepts that have emerged in Europe or North America.

Figure 1: Major trends in China's urban mobility landscape

1	 <b>Fast urbanization</b>	<ul style="list-style-type: none"> <li>Urbanization and household income growth drive mega-cities' population, car parc, and commuting distances and times</li> </ul>
2	 <b>Deteriorating driving conditions</b>	<ul style="list-style-type: none"> <li>Traffic congestion, road safety issues and lack of affordable parking spaces negatively impact driving experience</li> </ul>
3	 <b>Increasing environmental pressures</b>	<ul style="list-style-type: none"> <li>Air quality has become a major concern, increasing awareness of the role of cars and openness to alternative solutions</li> </ul>
4	 <b>Tightening regulations</b>	<ul style="list-style-type: none"> <li>Multiple regulations are being deployed to control car ownership, restrict road access or favor low-emission vehicles</li> </ul>
5	 <b>Improving public transport</b>	<ul style="list-style-type: none"> <li>Major investments in infrastructure have improved the coverage, reliability and comfort of rail and bus transit systems</li> </ul>
6	 <b>Fast penetration of new technologies</b>	<ul style="list-style-type: none"> <li>The use of new mobile applications to plan, book and enhance mobility experience is increasing fast</li> </ul>

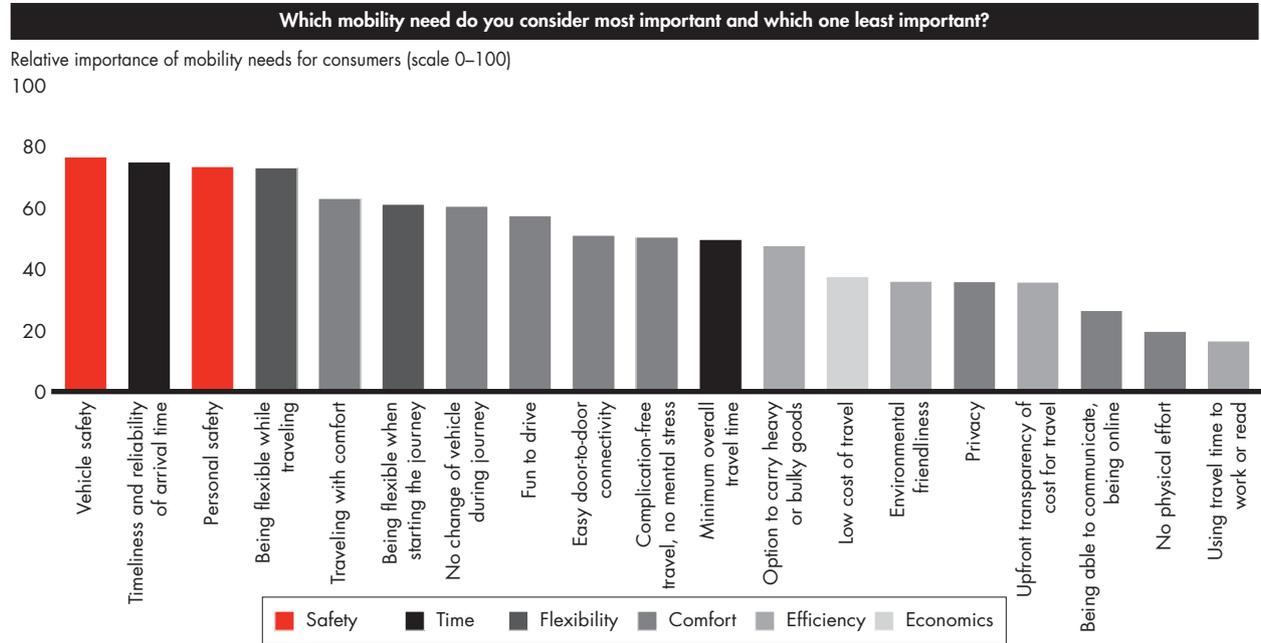
Source: Bain & Company

Figure 2: Trends are reducing the value of owning a car and support the emergence of new mobility solutions



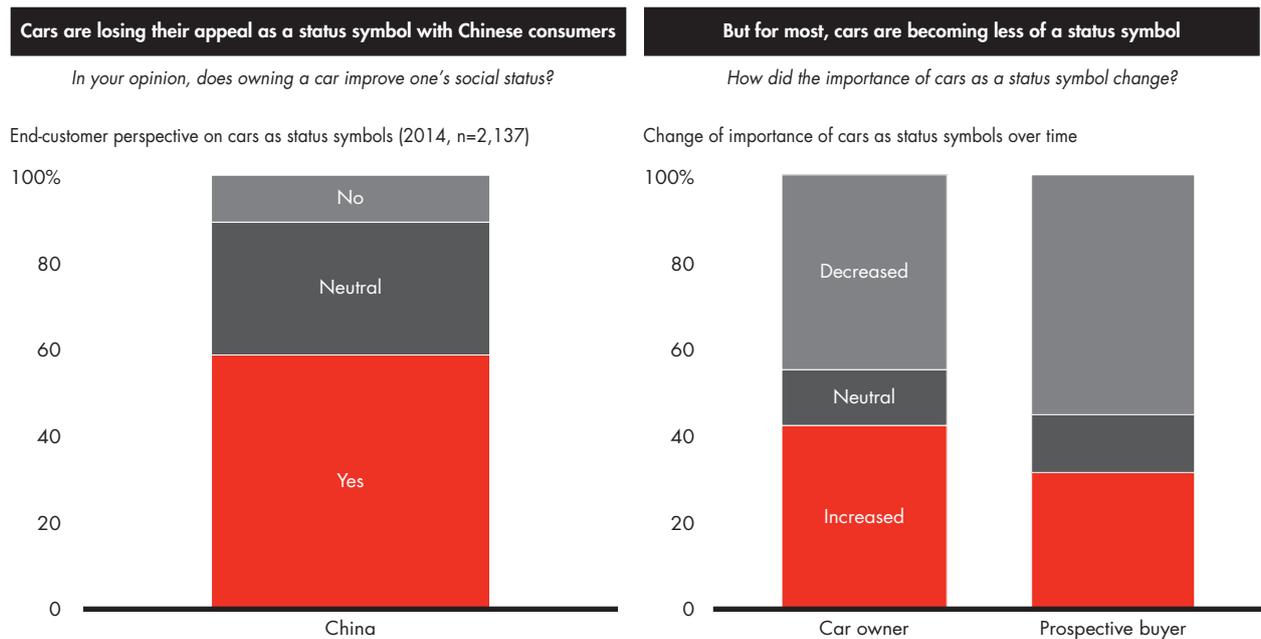
Source: Bain & Company

Figure 3: Safety, time and flexibility are the most important mobility needs for China's urban consumers



Source: Bain China New Mobility Study, 2,100+ respondents from six Tier-1 and Tier-2 cities in China

Figure 4: Cars are likely to lose their appeal as a status symbol with Chinese consumers



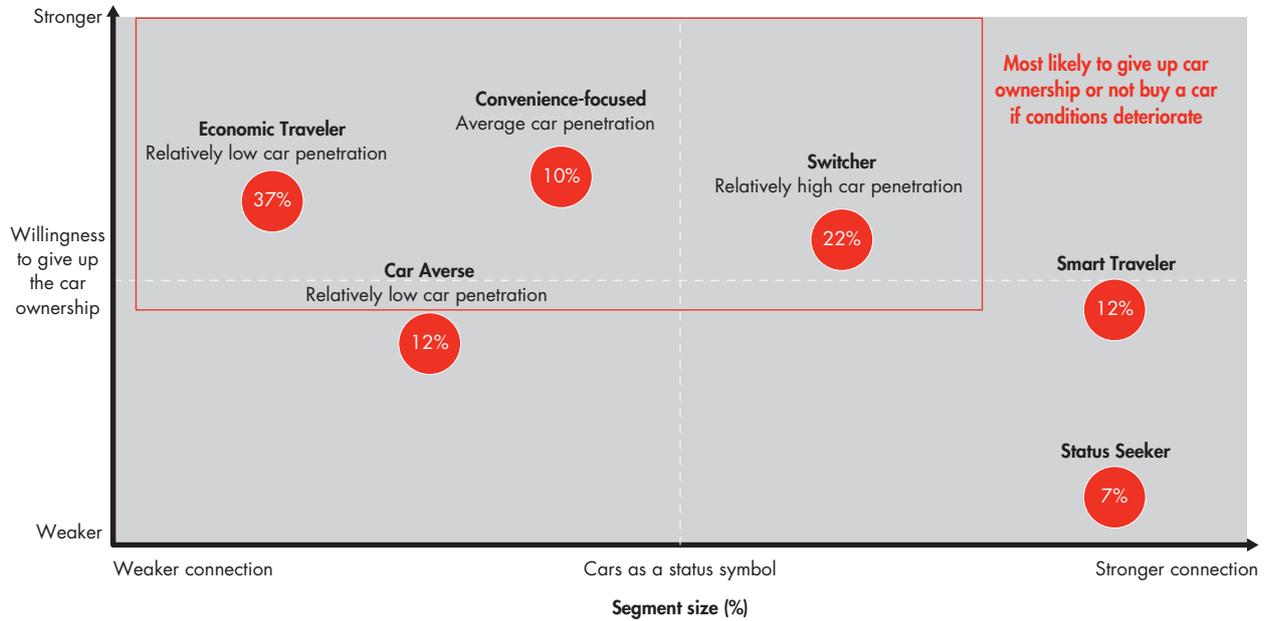
Source: Bain China New Mobility Study, 2,100+ respondents from six Tier-1 and Tier-2 cities in China

*Figure 5:* We have identified six customer segments with different mobility needs and behaviors

<p><b>Economic Traveler</b></p>	<ul style="list-style-type: none"> <li>• Segment size: 37% of car owners; 39% of non-car owners</li> <li>• Oldest segment, 27% &lt;30 years old</li> <li>• Relatively lower income, 23% earn &lt;100K RMB per year</li> <li>• Least likely to perceive cars as a status symbol</li> <li>• Preference for public transport</li> <li>• Low interest in using new mobility</li> </ul>
<p><b>Switcher</b></p>	<ul style="list-style-type: none"> <li>• Segment size: 22% of car owners; 20% of non-car owners</li> <li>• Youngest segment, 36% &lt;30 years old</li> <li>• Relatively lower income</li> <li>• Relatively high usage of their own car</li> <li>• Willing to spend more on cars</li> <li>• Awareness of new mobility concepts is high, willing to try</li> </ul>
<p><b>Car-averse Consumer</b></p>	<ul style="list-style-type: none"> <li>• Segment size: 12% of car owners; 19% of non-car owners</li> <li>• Lowest income level, 31% earn &lt;100K RMB per year</li> <li>• Perception of car as a status symbol significantly below average</li> <li>• Lowest usage of cars, not willing to increase spending on cars</li> <li>• Lowest willingness to use new mobility</li> </ul>
<p><b>Smart Traveler</b></p>	<ul style="list-style-type: none"> <li>• Segment size: 12% of car owners; 8% of non-car owners</li> <li>• Young and relatively high income</li> <li>• Use their own car or a company car more than average</li> <li>• Would like to spend more on their cars</li> <li>• Current usage of new mobility is relatively high, high willingness to try new mobility solutions</li> </ul>
<p><b>Convenience-focused Traveler</b></p>	<ul style="list-style-type: none"> <li>• Segment size: 10% of car owners and non-car owners</li> <li>• Middle age, relatively high income level</li> <li>• Current usage of private and public mobility both high</li> <li>• Not likely to perceive cars as a status symbol, and most likely to give up car usage</li> <li>• Relative high willingness to use new mobility</li> </ul>
<p><b>Status Seeker</b></p>	<ul style="list-style-type: none"> <li>• Segment size: 7% of car owners; 4% in non-car owners</li> <li>• Older, higher income, 46% earn &gt;200K RMB per year</li> <li>• Strong perception of cars as a status symbol; high willingness to spend on cars</li> <li>• High usage of private transportation, and highest willingness to use new mobility</li> </ul>

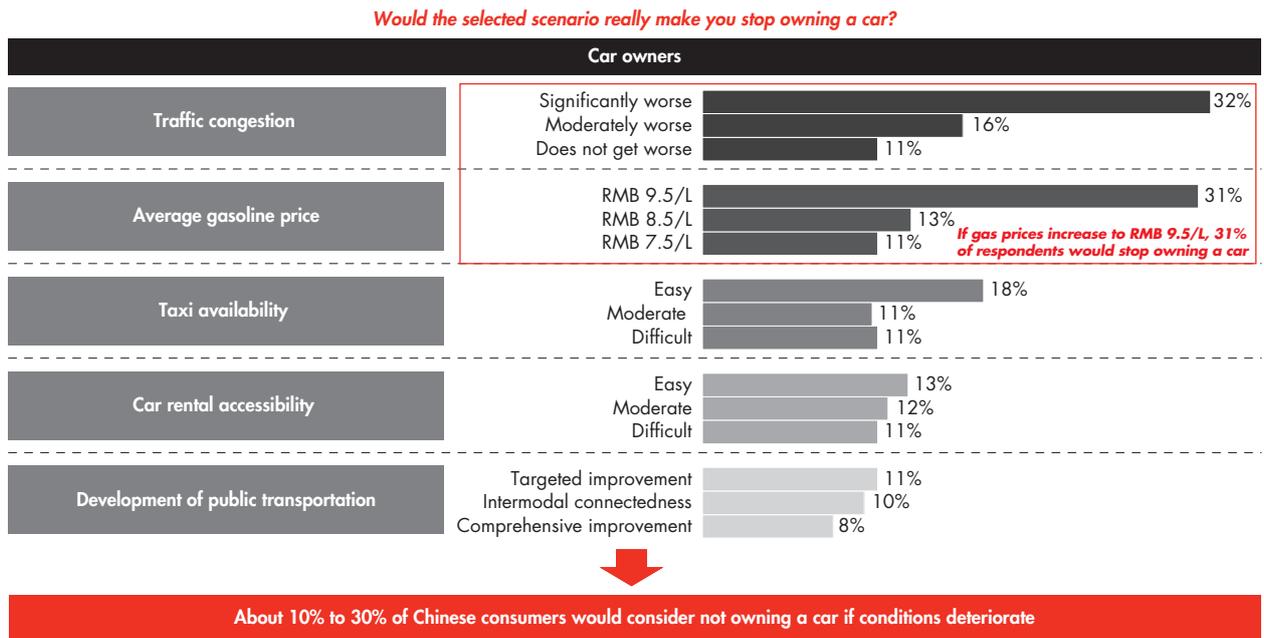
Source: Bain China New Mobility Study, 2,100+ respondents from six Tier-1 and Tier-2 cities in China

Figure 6: Convenience-focused, Economic Travelers and Switchers are most at risk of moving away from car ownership



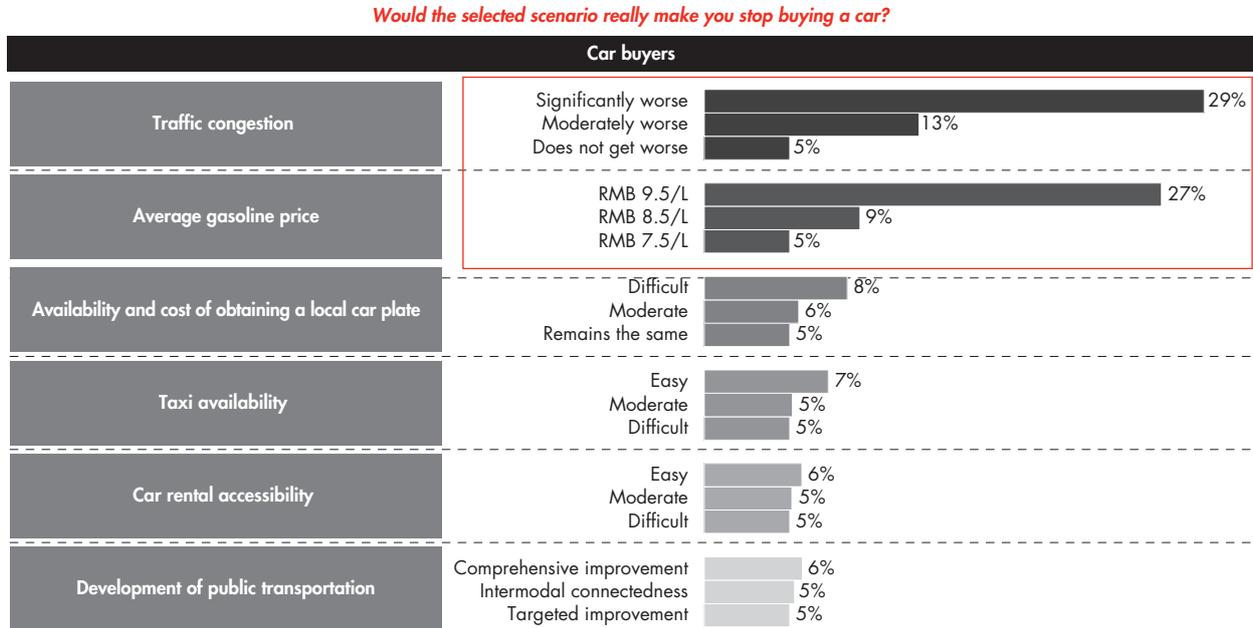
Source: Bain China New Mobility Study, 2,100+ respondents from six Tier-1 and Tier-2 cities in China

Figure 7: Traffic congestion and higher gasoline prices are the two major factors that could make people stop owning a car



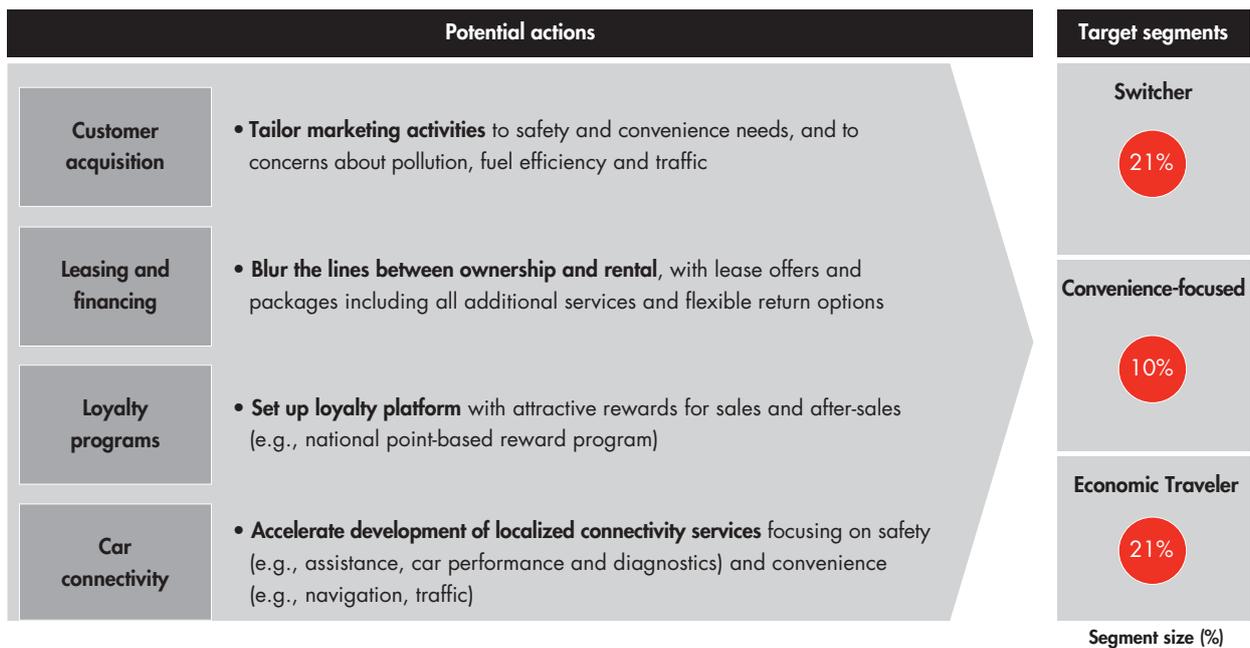
Source: Bain China New Mobility Study, 2,100+ respondents from six Tier-1 and Tier-2 cities in China

Figure 8: The same factors would deter prospective car buyers



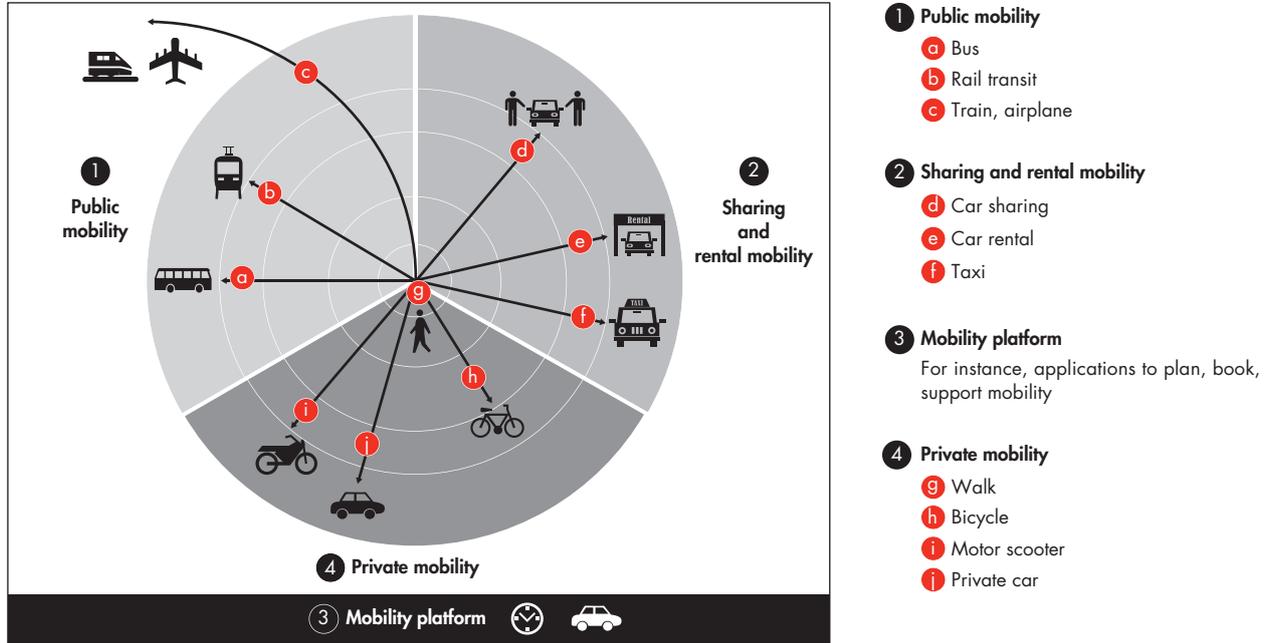
Source: Bain China New Mobility Study, 2,100+ respondents from six Tier-1 and Tier-2 cities in China

Figure 9: Opportunities for OEMs: Strengthen customer loyalty in core automotive business



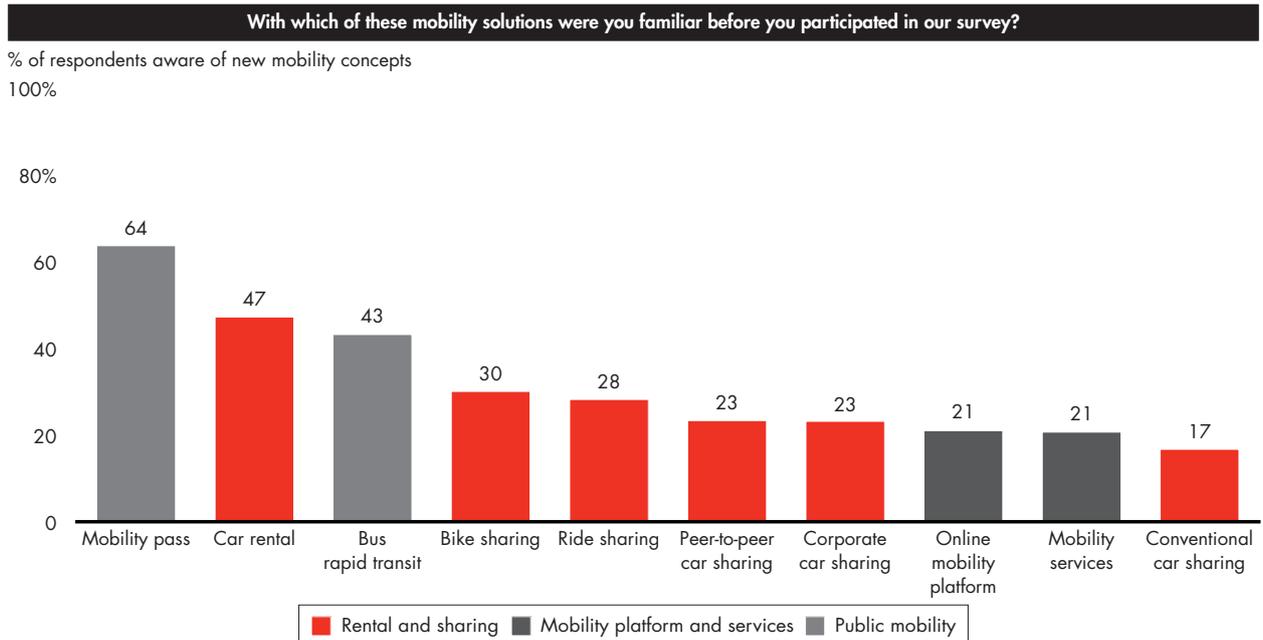
Source: Bain & Company

Figure 10: China urban mobility landscape



Source: Bain & Company

Figure 11: Chinese consumers are relatively less familiar with car sharing models



Source: Bain China New Mobility Study

Figure 12: Chinese consumers are keen to use public transport and alternative mobility solutions ...

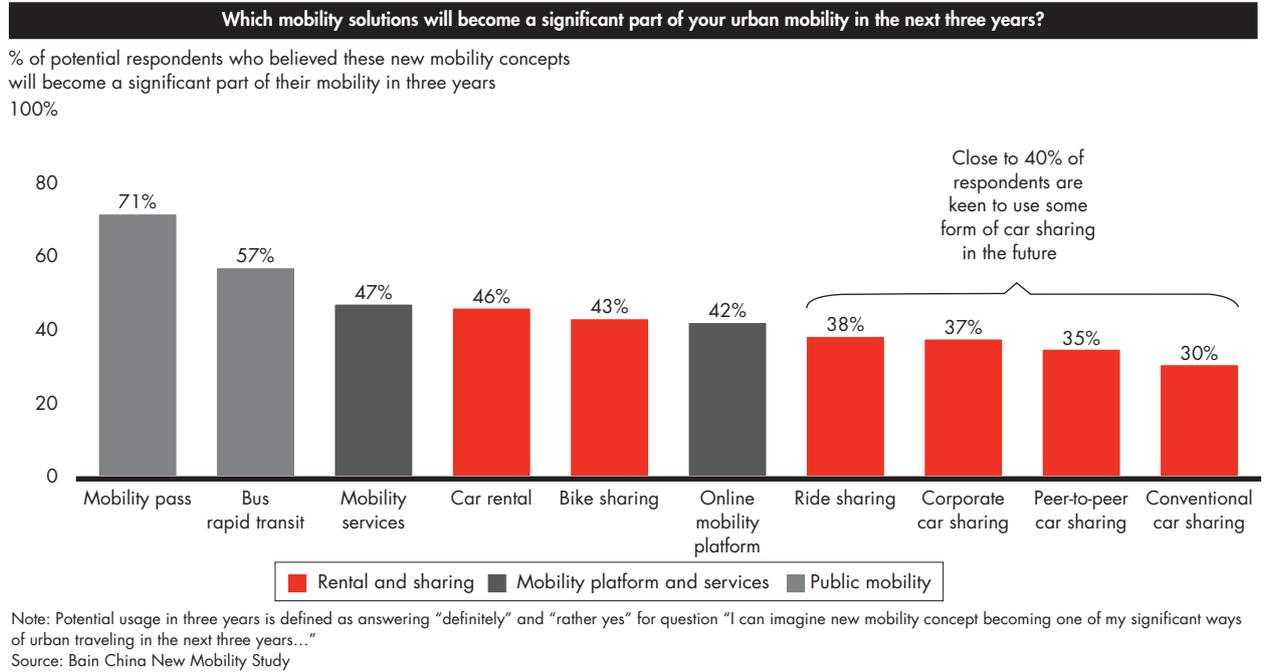
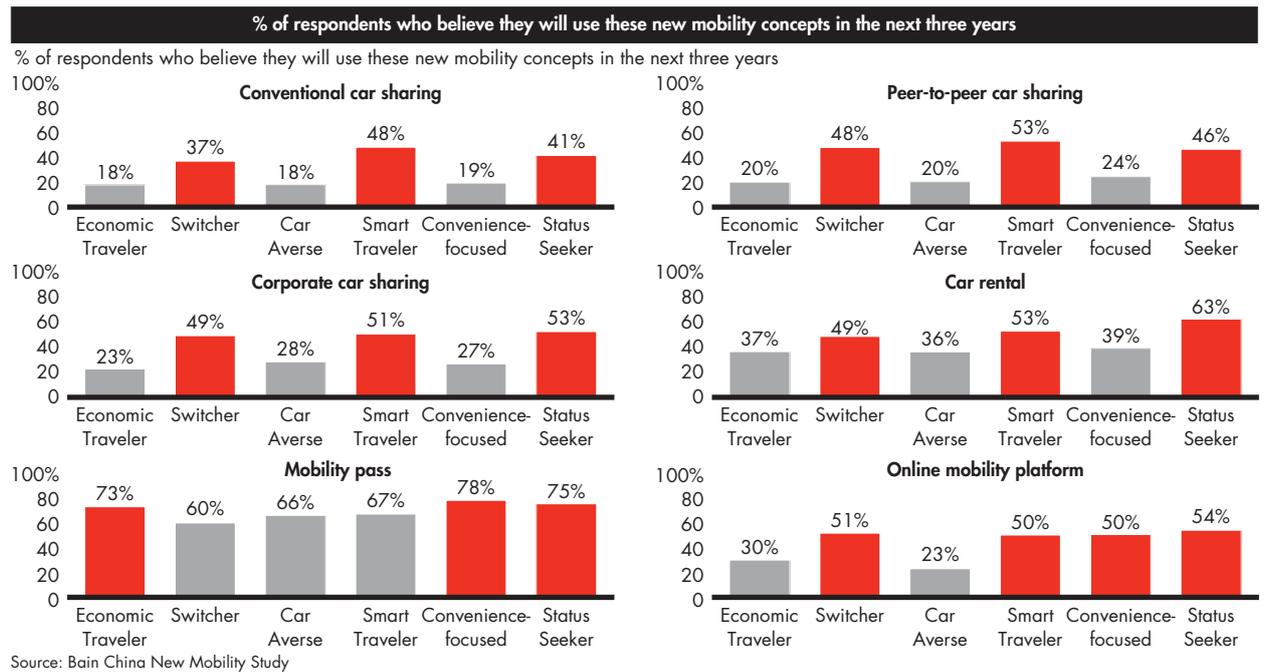
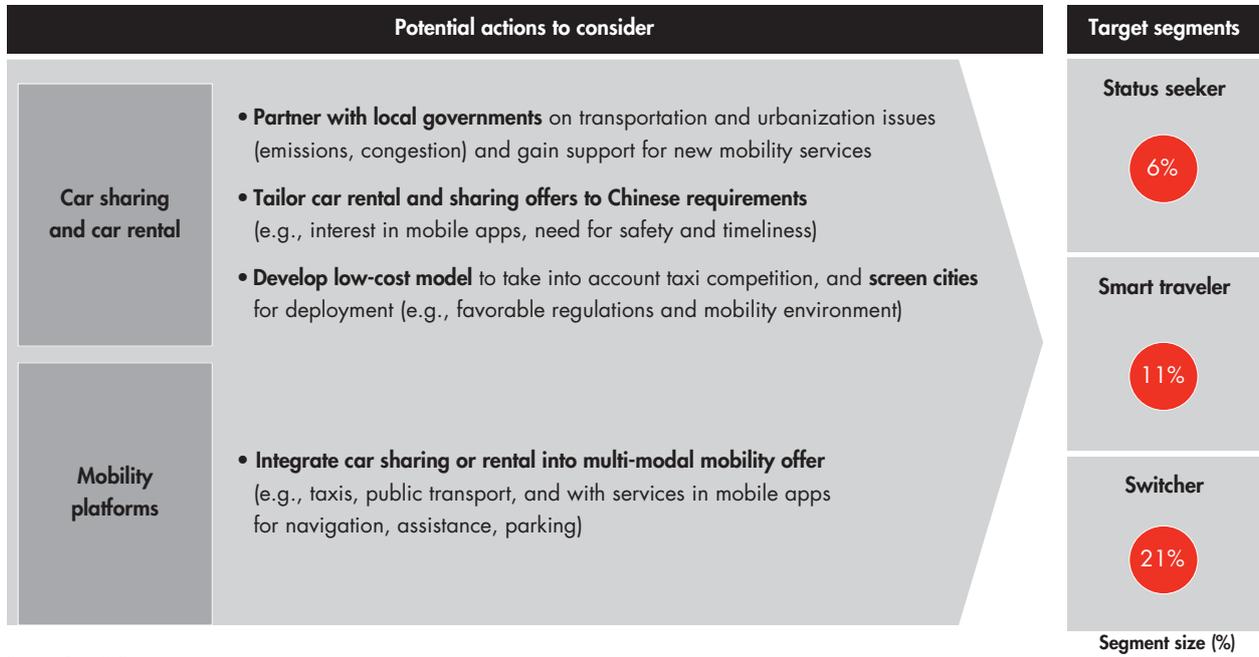


Figure 13: ... including different car-sharing models and car rental



*Figure 14:* Opportunities for OEMs: Test new mobility with a value proposition and model tailored to China



Source: Bain & Company

## About the authors

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